

THE 2002 COUNTY LOAN RATE CALCULATION PROCEDURE

Feed Grains and Oilseeds

- Goal:** Increase market orientation and reduce loan program distortions
- Objectives:**
- (1) Update county loan rates (CLR's) for wheat and feed grains so that they more closely track price relationships among counties. (This has been done for oilseeds each year since 1991.)
 - (2) Ensure that county loan rates "weight" to statutorily-established National Loan Rate (NLR)
- Computational Principles:**
- (1) Use recent historical posted county prices (PCP's) as a proxy for county-to-county price relationships
Simple 2-year average PCP's
 - (a) June 1, 1999-May 31, 2001: wheat, barley, oats, flaxseed, canola, rapeseed
 - (b) September 1, 1999-August 31, 2001: corn, grain sorghum, soybeans, oil- and other-type sunflower seed, safflower, and mustard seed
 - (2) Use recent historical production by county for "weighting" but remove outliers (i.e., exclude high- and low-production years)
Olympic average production, 1996-2000 (OAP)

Example for one hypothetical county					
Year	1996	1997	1998	1999	2000
Production	1,300	800	700	1,000	1,400
Drop years with high and low production, and average the production in the remaining years, i.e., drop 1997 and 2000 with the result being 1,000 units [= (1,300 + 700 + 1,000) / 3].					

- Steps:**
- (1) Obtain National Loan Rate (NLR)
 - (2) Calculate 2-year Avg PCP
 - (3) Calculate olympic average production by county
 - (4) Sum olympic average production for all counties
 - (5) Calculate production weights for each county--(3) / (4)
 - (6) "Weight" each county's 2-year Avg PCP by its respective production weight--(2) * (5)
 - (7) Calculate the National Average PCP (NAPCP) by summing weighted 2-year average PCP's for all counties
 - (8) Calculate the difference between the NLR and NAPCP--(1) - (6)
 - (9) Calculate County Loan Rates by adding difference, NLR - NAPCP, to 2-year Avg PCP--(2) + (8)
 - (10) Check calculations to ensure County Loan Rates "weight" to NLR--Does sum of (9) * (5) = NLR?

Simple 2-county example for corn (NLR=\$1.98/bushel)

	County A		County B		Total
2-yr Avg PCP	\$2.04		\$1.76		(see NAPCP)
Production (OAP)	1,000	+	1,000	=	2,000
Production Share or	1,000/2,000 = 0.5	+	1,000/2,000 = 0.5	=	1.0
NLR					\$1.98
NAPCP	0.5 * \$2.04	+	0.5 * \$1.76	=	\$1.90
NLR - NAPCP					\$0.08
CLR	\$2.12		\$1.84		
Check or	0.5 * \$2.12 = \$1.06	+	0.5 * \$1.84 = \$0.92	=	\$1.98